

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 EA-11 NEA-10 ISO-00 OMB-01 SCEM-02

TRSE-00 SSO-00 CIEP-02 NSCE-00 USIE-00 DODE-00 CIAE-00

INR-10 NSAE-00 RSC-01 INRE-00 SS-20 NSC-10 PRS-01 L-03

INT-08 COME-00 DRC-01 /102 W
----- 115177

O R 160800Z OCT 73

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC IMMEDIATE 9187

INFO AMEMBASSY LAGOS

AMEMBASSY TEHRAN

S E C R SGT JAKARTA 12274

E.O. 11652: GDS - DECLAS 12/31/81

TAGS: ENRG, ID

FOSUBJ: SPARE OIL PRODUCTION CAPACITY

REF: A) STATE 200926 B) JAKARTA A-120 C) JAKARTA 9914
D) JAKARTA A-121 E) LAGOS 8239

BEGIN SUMMARY. ALTHOUGH OUR ESTIMATE IS THAT THERE IS PRESENTLY NO SPARE PRODUCTION CAPACITY, ONE FIELD IS PRODUCING AT LESS THAN FULL CAPACITY BECAUSE OF LIMITED LOADING AND STORAGE FACILITIES AND THERE ARE A NUMBER OF FOREIGN CONTRACTORS, MOSTLY U.S. COMPANIES, IN PROCESS OF EXPANDING PRODUCTION BASED ON PREVIOUS DISCOVERIES. MOST U.S. PRODUCING COMPANIES ARE NOW SELLING PREDOMINANTLY TO JAPAN. WE BELIEVE IT WOULD BE UNWISE TO APPROACH GOI/PERTAMINA TO INCREASE PRODUCTION AND SHIPMENTS TO U.S. UNLESS IT WAS CLEAR THAT U.S. COMPANIES WERE ALSO WILLING TO DO LIKEWISE. END SUMMARY.

1. GIVEN DEMAND FOR INDO LOW SULPHUR CRUDE AND PERTAMINA/FOREIGN CONTRACTOR POLICY TO MAXIMIZE PRODUCTION, EMBASSY'S BEST ESTIMATE IS THAT THERE IS PRESENTLY NO RPT NO "SPARE PRODUCTION CAPACITY" IN INDONESIA.

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2. ONE CONTRACT AREA, HOWEVER, COULD PRODUCE ADDITIONAL OIL IF APPROPRIATE STORAGE TANKS AND LOADING FACILITIES WERE IN PLACE. THIS AREA, OPERATED BY PETROMER TREND OIL CORP.(DENVER,COLORADO) INCLUDES KASIM FIELD (REFAIR B), JAYA FILED AND RECENTLY DISCOVERED WALIO FIELD. TREND MADE FIRST EXPORT SHIPMENT LAST MONTH FROM TEMPORARY FLOATING STORAGE VESSEL BASED ON INITIAL PRODUCTION OF ABOUT 35,000 B/D. SOME OBSERVERS BELIEVE TREND COULD INCREASE PRODUCTION UP TO 80,000 B/D IF APPROPRIATE STORAGE AND LOADING FACILITIES WERE AVAILABLE. MAJOR CONSTRAINT TO MORE RAPID DEVELOPMENT OF TRENDS' CONTRACT AREA, AND SOME OTHERS, APPEARS TO BE EXTREMELY TIGHT SUPPLY OF STEEL AND STEEL PRODUCTS FOR OIL FIELD DEVELOPMENT.

3. AS DEPT AWARE, OIL AND GAS PRODUCED IN INDONESIA IS DIVIDED BETWEEN PERTAMINA AND FOREIGN CONTRACTORS AS SPECIFIED IN PRODUCTION SHARING CONTRACTS, WITH BOTH BOTH PARTIES MARKETING OWN OIL. IN TREND'S CASE, TREND'S OIL (ABOUT 61 PERCENT OF TOTAL PRODUCTION--40 PERCENT "COST OIL" PLUS 35 PERCENT OF 60 PERCENT) IS BEING SOLD TO JAPAN WHILE PERTAMINA'S SHARE IS BEI F SOLD TO U.S. WEST COAST. (SEE REF C) DURING RECENT CONVERSATION PERTAMINA'S MARKETING OFFICER SAID OF ROUGHLY 160,000 B/D NOW EXPORTED TO UNITED STATES, ABOUT 60,000 B/D IS SOLD BY PERTAMINA AND 100,000 BY CALTEX. AS DEPT ALSO AWARE, PERTAMINA PURSUES REALIZED PRICE, NOT POSTED PRICE, SYSTEM AIMED AT MAXIMIZING RETURN TO PERTAMINA AND GOI.

4. REFAIR D INCLUDES LIST OF DISCOVERIES DURING PERIOD JUNE 1972-MAY 1973. SINCE THEN OTHER NEW DISCOVERIES BY PERTAMINA (ON SHORE WEST JAVA-RANDENGAN FIELD); TREND (ON SHORE IRIAN JAYA--WALIO FIELD); TESORO (GAS -- R-1 LOCATION OFFSHORE IRIAN JAYA) AND TESORO (ON SHORE TARAKAN ISLAND: GAS -- SESANYO 1 FILED, AND OIL -- SOUTH PAMUSIMAN FIELD) HAVE IMPROVED PROSPECTS FOR PERTAMINA TO REACH PRODUCTION GOAL OF 1.5 MILLION B/D BY END 1973 OR EARLY 1974. TWO U.S. COMPANIES NOW INCREASING PRODUCTION ARE UNION AND ARCO. OTHER U.S.PRODUCERS ARE CALTEX (SOCAL AND TEXACO JOINT INTEREST GROUP NOW PRODUCING ABOUT ONE MILLION B/D, STANVAC (EXXON AND MOBIL JOINT INTEREST GROUP) AND IAPCO. HUFFCO (HOUSTON, TEXAS) REPORTEDLY HAS PLANS TO BEGIN PRODUCTIONS(ABOUT 10,000 B/D)

IN MID-1974 FROM BADAQ FIELD THAT WILL ALSO PROVIDE NATURAL GAS
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FEEDBACK FOR EAST KALIMANTAN LNG LIQUEFACTION PLANT.

5. COMMENT: ALTHOUGH INDONESIA NOW HAS NO SPARE PRODUCTION, PROSPECTS ARE GOOD FOR MODERATE PRODUCTION INCREASES IN THE NEAR FUTURE, MOST OF WHICH BY U.S. COMPANIES. HOWEVER, WHERE OIL SOLD DEPENDS ON SEPARATE DECISIONS BY PERTAMINA AND FOREIGN CONTRACTORS. EMBASSY IS AWARE OF MULTITUDE OF CRUDE PURCHASE OFFERS BY COMPANIES OF VARIOUS NATIONALITIES INCLUDING MANY BY

U.S. UTILITY COMPANIES AND INDEPENDENT REFINERIES, AS WELL
AS JAPANESE. WHILE VARIOUS PERTAMINA AND (#)

SHARE OF CRUDE OIL IS VERY LIMITED, ESPECIALLY DUE TO SUPPLY
REQUIREMENT OF RECENTLY CONCLUDED GOI-GOJ OIL LOAN (REPAIR D).FEW

FUHQPO, GOI AND/OR PERTAMINA, (#) TO ANY USG REQUEST
FOR (#) I MUST TAKE ACCOUNT OF STRONG MUSLIM AND
PRO-ARAB INFLUENCE IN INDONESIA. ON OTHER HAND, U.S. COMPANIES
DO NOT FACE SAME CONSTRAINTS BUT, UP UNTIL RECENTLY, HAVE MARKETING
MOST OF OUTPUT IN JAPAN. APPROACH TO U.S. COMPANIES TO INCREASE
PRODUCTION AND MARKET INCREMENTAL OUTPUT IN U.S. SHOULD PRECEDE
ANY APPROACH TO GOI/PERTAMINA. IF USG DECIDED IT NECESSARY TO
APPROACH GOI/PERTAMINA ABOUT INCREASING PRODUCTION OR SHIPMENTS.
WE WOULD BE MOST RELUCTANT TO DO SO UNTIL IT IS CLEAR THAT U.S.
COMPANIES ARE WILLING TO DO LIKEWISE.
GALBRAITH

NOTE BY OC/T: (#) OMISSION, CORRECTION TO FOLLOW.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, FOREIGN INVESTMENT, CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973JAKART12274
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS GALBRAITH
Errors: N/A
Film Number: n/a
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731030/aaaaavsx.tel
Line Count: 142
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: A) STATE 200926 B) JAKARTA A-120 C), JAKARTA 9914
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 21 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21-Nov-2001 by shawdg>; APPROVED <17-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SPARE OIL PRODUCTION CAPACITY
TAGS: ENRG, ID, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005